



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

March 8, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$17,246,903 for the year ended June 30, 2009, a 50% increase over 2008. The receipts included \$2,096,631 in property tax, \$1,712,528 from tax increment financing, \$3,524,847 from charges for service, \$1,097,045 from operating grants, contributions and restricted interest, \$234,280 from capital grants, contributions and restricted interest, \$858,540 from local option sales tax, \$108,353 from unrestricted interest on investments, \$7,608,650 from bond and note proceeds and \$6,029 from other general receipts.

Disbursements for the year totaled \$20,408,165, a 37.5% increase over the prior year, and included \$2,625,884 for community and economic development, \$2,524,989 for capital projects, \$2,123,130 for debt service and \$6,475,000 paid to the refunding bond agent. Also, disbursements for business type activities totaled \$3,161,808.

The significant increase in receipts and disbursements is primarily due to an increase in bond and note proceeds and the payment to the refunding bond agent.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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**CITY OF NEVADA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2009**

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**City of Nevada**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gearold E. Gull, II	Mayor	Jan 2010
Walt McDonald	Mayor Pro tem	Jan 2010
Gary G. Gardner	Council Member	Jan 2010
Andrew Kelly	Council Member	Jan 2010
Thomas Haller	Council Member	Jan 2011
Jane Heintz	Council Member	Jan 2011
G. Michael Neff	Council Member	Jan 2011
Elizabeth Hanson	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite

**City of Nevada**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

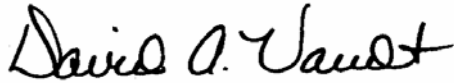
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2010 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 21, 2010



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- Total cash basis net assets of the City decreased 26.71%, or \$3,161,262, from fiscal year 2008 to fiscal year 2009, due in a large part to the disbursement in 2009 of the bond proceeds received in fiscal year 2008 for the City Hall project and the completion of Well #8 and the 2008 Water Improvements from utility balances. Charges for service for business type activities decreased 3.58%, or approximately \$108,000, primarily due the change in the late payment fee for utilities from ten percent to a flat rate of \$2.00 per account. For governmental activities, operating grants, contributions and restricted interest increased 5.28%, or approximately \$55,000, due to the receipt of FEMA funds and a REAP grant. Tax increment financing (TIF) increased \$21,591, or 1.28%, reflecting the \$300,000 that was not requested for the current year. Bond proceeds increased 351.81%, or approximately \$5,921,000, due to the redemption of the City Hall anticipatory notes (2007) by permanent financing in 2009. Unrestricted interest on investments for governmental activities and business type activities decreased 46.15%, or approximately \$36,000, and 50.75%, or approximately \$68,000, respectively, due to the decrease in interest rates available.
- Disbursements for governmental activities increased 57.96%, or \$6,328,252, in fiscal year 2009 over fiscal year 2008. Public safety disbursements decreased \$26,712, or 2.46%. Public works disbursements decreased \$48,889, or 6.67%. Community and economic development disbursements increased 749.68%, or \$2,316,840, due to the purchase of property to be used for economic development. General government disbursements increased \$125,746, or 53.52%, primarily due to the purchase and demolition and clean up of the site for the Senior Center and increased operating disbursements for the new City Hall. Debt service disbursements increased 27.66%, or \$460,053. The City also paid \$6,475,000 to the refunding bond agent. This payment and the increase in debt service disbursements were for the refinancing of the City Hall debt and the Nevada Business Park and the Lincoln Highway II revenue bonds. Capital projects disbursements decreased 54.09%, or \$2,975,093. Water disbursements decreased 16.72%, or \$447,376, and sewer disbursements decreased 26.87%, or \$316,840, primarily due to no large projects to be financed in 2009.
- The City's total cash basis net assets decreased 26.71%, or \$3,161,262, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities decreased \$2,547,906 and the net assets of the business type activities decreased \$613,356. The governmental activities cash balance decreased, in part, due to the near completion of the City Hall project and the spending down of the unreserved TIF fund balance from \$863,758 to \$198,952. The business type activities cash balance decreased primarily due to the use of fund balances to complete the Well #8 project for \$144,851 and the 2008 Water Improvements project for \$567,049.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, road use tax, state and federal grants and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system and the sanitation utility, including all capital projects associated with these activities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending in the next fiscal year. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Parks Planting (Hattery) and Cemetery Perpetual Care. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are increased or reduced financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

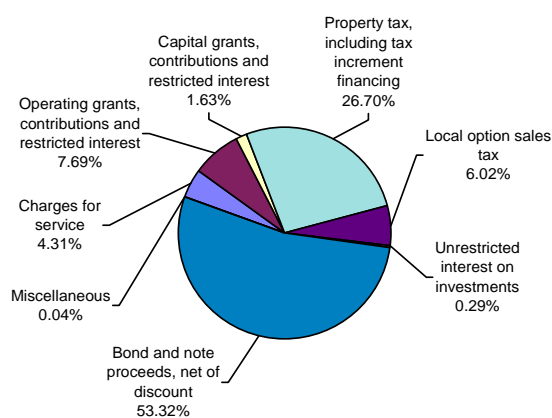
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Governmental Activities**

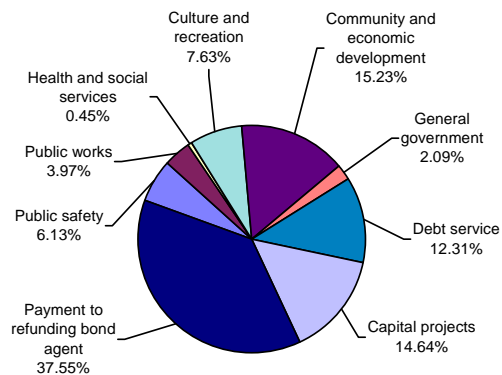
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$7,639,524 to \$5,091,618. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 615	654
Operating grants, contributions and restricted interest	1,097	1,042
Capital grants, contributions and restricted interest	233	263
General receipts:		
Property tax, including tax increment financing	3,809	3,761
Local option sales tax	858	784
Unrestricted interest on investments	42	78
Bond and note proceeds, net of discount	7,604	1,683
Miscellaneous	6	33
Total receipts	14,264	8,298
Disbursements:		
Public safety	1,058	1,085
Public works	684	733
Health and social services	78	77
Culture and recreation	1,316	1,316
Community and economic development	2,626	309
General government	361	235
Debt service	2,123	1,663
Capital projects	2,525	5,500
Payment to refunding bond agent	6,475	-
Total disbursements	17,246	10,918
Decrease in cash basis net assets before transfers	(2,982)	(2,620)
Transfers, net	434	435
Decrease in cash basis net assets	(2,548)	(2,185)
Cash basis net assets beginning of year	7,640	9,825
Cash basis net assets end of year	\$ 5,092	7,640

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 71.9%, or approximately \$5,966,000. Charges for service decreased \$39,404, or 6.02%. Operating and capital grants, contributions and restricted interest receipts increased approximately \$55,000. Local option sales tax increased \$74,368, or 9.48%. Unrestricted interest on investments decreased 44.87%, or approximately \$35,000. Bond proceeds increased \$5,920,650 because the City refinanced the temporary debt for the City Hall/Public Safety Facility project. The total cost of all governmental activities programs and services increased approximately \$6,328,000, or 57.96%. Community and economic development disbursements increased approximately \$2,317,000 for the purchase of property, debt service disbursements, including the payment to refunding bond agent of \$6,475,000, increased \$6,935,053 due to refinancing of debt and capital project disbursements decreased \$2,975,093, due primarily to the prior year construction costs of the City Hall/Public Safety Facility.

The City's property tax rates in fiscal year 2010 increased to \$15.12870 per \$1,000 of taxable valuation due to a voted capital improvement levy for trail projects from \$14.87874 in 2009. The property tax for fiscal year 2011 is expected to be consistent with the fiscal year 2010 levy. The City's property tax rates have not increased significantly in twelve years, except for the voted levy in fiscal year 2010. The tax increment valuation has increased steadily for the last ten years, from \$15,797,290 to the current \$52,506,707 for fiscal year 2009. The City released \$300,000 from the TIF requests in fiscal year 2009 and has permanently released certain residential areas from the TIF district, which results in a decrease of approximately \$300,000 annually from TIF collections.

The cost of all governmental activities this year was \$17,246,357. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$8,826,668 because some of the cost was paid by those directly benefiting from the programs (\$614,779) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (\$1,329,910). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, were \$1,944,689. The City paid for the remaining "public benefit" portion of governmental activities with \$6,278,762 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

### **Business Activities**

Total business type activities receipts for fiscal year 2009 were \$2,982,238. Receipts decreased from the previous year due to the change in the calculation of late payment fees and interest. Total business type activities disbursements for fiscal year 2009 were \$3,161,808, compared to \$3,926,047 last year. The transactions and cash balance of the sanitation utility, established in July 2005, did not change appreciably. The City created a storm water utility which will begin in fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 2,910	3,018
Operating grants, contributions and restricted interest	-	4
Capital grants, contributions and restricted interest	1	24
Unrestricted interest on investments	66	134
Bond proceeds	5	22
Sale of assets	-	2
Total receipts	2,982	3,204
Disbursements:		
Water	2,229	2,676
Sewer	862	1,179
Sanitation	71	71
Total disbursements	3,162	3,926
Decrease in cash basis net assets before transfers	(180)	(722)
Transfers, net	(434)	(434)
Decrease in cash basis net assets	(614)	(1,156)
Cash basis net assets beginning of year	4,195	5,351
Cash basis net assets end of year	\$ 3,581	4,195

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$5,088,653.

- The General Fund (includes the general, hotel/motel, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$44,437 to \$1,775,053.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$29,282 to \$371,182, primarily due to increased fuel and utility costs and increased snow removal.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$102,673 to \$835,010, primarily due to decreased transfers out to other funds. A large portion of this fund balance is planned for disbursement in 2010.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$848,952 at the end of the fiscal year, a decrease of \$250,806 from the previous year.
- The Debt Service Fund cash balance decreased \$41,053 to \$267,378. We continue to use the balance by bonding for more projects and not levying for the entire amount.
- The Capital Projects Fund began the year with a cash balance of \$2,711,993 and ended with a balance of \$162,258, a decrease of \$2,549,735. The balance fluctuates greatly between years due to projects and funding. The City Hall/Public Safety Facility project was nearly completed in fiscal year 2009, thereby depleting most of the balance.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$925,493 from a balance of \$1,868,182 to \$942,689.
- The Sewer Fund cash balance increased \$311,518 to \$2,636,081. The City is currently in the process of saving funds for a Trickling Filter upgrade at the plant and a possible Ultra Violet Disinfection System in the future.
- The Sanitation Fund ended the year with a balance of \$1,667, up from \$1,286.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The first amendment was approved on November 10, 2008 and resulted in an increase in operating disbursements of \$3,894,450 for community and economic development, debt service and capital projects. The second amendment was approved on December 8, 2008 and resulted in an increase in operating disbursements of \$3,475,063 for community and economic development, debt service and business type activities. The third amendment was approved on May 26, 2009 and increased operating receipts \$429,586 and operating disbursements \$283,508 to provide for a FEMA grant and actual disbursements.

The City's receipts were \$119,326 less than budgeted, a variance of 1.23%. For use of money and property, the City received \$93,833 less than budgeted. This was due to the decrease in the Danielson Trust and decreased interest rates. The Danielson Trust deposited funds with the Greater Des Moines Community Foundation in fiscal year 2008 and reported a negative \$41,730 in use of money and property in fiscal year 2009 due to the decline in the market. These decreases were not budgeted.

Total disbursements were \$11,541,221 less than budgeted, due primarily to the City's budget for debt service and capital projects. The City budgeted for the payment to the refunding bond agent as a disbursement. This payment should not be a budgeted disbursement and is reported as an other financing use. The City increased the capital projects budget to provide for projects, but did not disburse the funds during fiscal year 2009.

## DEBT ADMINISTRATION

On June 30, 2009, the City had \$17,473,000 in outstanding bonds and other long and short term debt, compared to \$18,561,000 last year, as shown below. The State Revolving Fund Loan for the Water Treatment Plant was finalized in 2009.

Outstanding Debt at Year-End		
	June 30,	
	2009	2008
General obligation notes:		
4/1/2002-Gates Hall Remodeling - \$770,000	\$ 450,000	500,000
8/15/2004-WWT and Airport Road - \$1,035,000	-	215,000
7/1/2005-Lincoln Highway/600th Avenue Turn Lanes - \$1,545,000	1,085,000	1,185,000
4/1/2008-Street Improvement - \$1,700,000	475,000	1,000,000
11/15/2008 - Refunding - \$635,000	410,000	-
Urban renewal tax increment revenue bonds:		
10/1/1999-Nevada Business Park - \$1,130,000	-	275,000
4/1/2002-Lincoln Highway II - \$720,000	-	330,000
11/15/2008 - City Hall - \$6,500,000	6,500,000	-
5/6/2009 - Nevada Economic Development Council - \$475,000	475,000	-
Local option sales and services tax revenue bonds:		
8/1/2001-SCORE Park Grading/Maint Bldg. - \$1,000,000	235,000	345,000
Revenue bonds:		
1/3/1995-Sewer Revolving - \$1,114,000	375,000	440,000
1/14/2005-Water - \$8,438,000	7,468,000	7,796,000
Anticipation project notes:		
6/26/2007-Urban renewal tax increment revenue bond - \$6,475,000	-	6,475,000
Total	\$ 17,473,000	18,561,000

Debt decreased \$1,088,000, which is the net between a new issuance of \$6,500,000 of urban renewal tax increment revenue bonds for the City Hall project and the repayment of the City Hall anticipation project notes of \$6,475,000, the issuance of \$475,000 of urban renewal tax increment debt for the purchase of property and annual debt payments on the debt. The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the actual value of all taxable property within the City's corporate limits (\$311,838,631 x 5% = \$15,591,931). The City's outstanding general obligation debt of \$9,630,000 (general, TIF and LOST debt) is significantly below its constitutional debt limit of \$15,591,931.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$11,949,919 between fiscal years 2009 and 2010 (\$139,653,503 - 127,703,584), resulting in an increase in General Fund tax of \$117,654. This increase was due to the decreased request for tax increment financing asking for 2010.

Tax increment financing receipts are budgeted to decrease \$221,245 in fiscal year 2010, from \$1,797,978 to \$1,576,733.

The City's expected receipts for fiscal year 2010 are \$11,460,080 (without transfers) as opposed to fiscal year 2009 budgeted receipts of \$15,779,388 (without transfers).

The City's disbursements for fiscal year 2010 are expected to decrease from \$17,778,674 (without transfers) for fiscal year 2009 to \$11,928,004 for fiscal year 2010 (without transfers), primarily due to the issuance of permanent debt for the City Hall/Public Safety Facility in 2009.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$467,924 to \$9,298,372 at the close of 2010.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Peterson-Smith, City Clerk, 1209 6<sup>th</sup> Street, P O Box 530, Nevada, Iowa.



## **Basic Financial Statements**

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,058,393	79,845	74,693	61,031
Public works	683,944	7,308	552,413	15,486
Health and social services	77,900	-	-	-
Culture and recreation	1,316,441	431,844	253,961	-
Community and economic development	2,625,884	210	10,130	-
General government	360,676	56,706	160,371	-
Debt service	2,123,130	17,743	31,161	-
Capital projects	2,524,989	21,123	14,316	156,348
Total governmental activities	10,771,357	614,779	1,097,045	232,865
Business type activities:				
Water	2,228,786	1,701,850	-	-
Sewer	862,481	1,137,297	-	1,415
Sanitation	70,541	70,921	-	-
Total business type activities	3,161,808	2,910,068	-	1,415
<b>Total Primary Government</b>	<b>\$ 13,933,165</b>	<b>3,524,847</b>	<b>1,097,045</b>	<b>234,280</b>
<b>Component Unit:</b>				
Nevada Economic Development Council	\$ 788,540	567,486	80,708	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond and note proceeds, net of \$6,350 discount				
Payment to refunding bond agent				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Nevada Economic Development Council
(842,824)	-	(842,824)	-
(108,737)	-	(108,737)	-
(77,900)	-	(77,900)	-
(630,636)	-	(630,636)	-
(2,615,544)	-	(2,615,544)	-
(143,599)	-	(143,599)	-
(2,074,226)	-	(2,074,226)	-
(2,333,202)	-	(2,333,202)	-
(8,826,668)	-	(8,826,668)	-
-	(526,936)	(526,936)	-
-	276,231	276,231	-
-	380	380	-
-	(250,325)	(250,325)	-
(8,826,668)	(250,325)	(9,076,993)	-
-	-	-	(140,346)
1,607,778	-	1,607,778	-
1,712,528	-	1,712,528	-
488,853	-	488,853	-
858,540	-	858,540	-
42,598	65,755	108,353	-
7,603,650	5,000	7,608,650	-
(6,475,000)	-	(6,475,000)	-
6,029	-	6,029	-
433,786	(433,786)	-	-
6,278,762	(363,031)	5,915,731	-
(2,547,906)	(613,356)	(3,161,262)	(140,346)
7,639,524	4,194,705	11,834,229	193,113
\$ 5,091,618	3,581,349	8,672,967	52,767
\$ 113,635	-	113,635	-
371,182	-	371,182	-
198,952	-	198,952	-
1,017,378	437,065	1,454,443	-
1,612,453	736,672	2,349,125	-
1,778,018	2,407,612	4,185,630	52,767
\$ 5,091,618	3,581,349	8,672,967	52,767

City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2009

	General	Special Revenue		
		Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,144,289	-	-	-
Tax increment financing	-	-	-	1,712,528
Other city tax	62,050	-	858,540	-
Licenses and permits	68,272	-	-	-
Use of money and property	100,337	1,962	10,084	19,336
Intergovernmental	297,909	565,937	-	-
Charges for service	282,391	-	-	-
Special assessments	-	-	-	-
Miscellaneous	148,728	1,427	-	-
Total receipts	2,103,976	569,326	868,624	1,731,864
Disbursements:				
Operating:				
Public safety	972,275	23,711	23,285	-
Public works	1,890	674,897	7,256	-
Health and social services	-	-	77,900	-
Culture and recreation	1,255,379	-	6,782	-
Community and economic development	98,909	-	83,679	2,435,140
General government	281,817	-	78,947	-
Debt service	-	-	128,005	760,208
Capital projects	-	-	-	-
Total disbursements	2,610,270	698,608	405,854	3,195,348
Excess (deficiency) of receipts over (under) disbursements	(506,294)	(129,282)	462,770	(1,463,484)
Other financing sources (uses):				
Bond and note proceeds, net of \$6,350 discount	-	-	-	7,603,650
Payment to refunding bond agent	-	-	-	(6,475,000)
Operating transfers in	570,999	100,000	-	683,786
Operating transfers out	(20,268)	-	(360,097)	(599,758)
Total other financing sources (uses)	550,731	100,000	(360,097)	1,212,678
Net change in cash balances	44,437	(29,282)	102,673	(250,806)
Cash balances beginning of year	1,730,616	400,464	732,337	1,099,758
Cash balances end of year	\$ 1,775,053	371,182	835,010	848,952
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	100,000	650,000
Unreserved:				
General fund	1,775,053	-	-	-
Special revenue funds	-	371,182	735,010	198,952
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 1,775,053	371,182	835,010	848,952

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
473,227	30,369	353,122	2,001,007
-	-	-	1,712,528
15,626	1,421	16,527	954,164
-	-	-	68,272
11,321	54,447	(18,489)	178,998
-	101,831	18,977	984,654
-	21,123	4,093	307,607
17,743	-	-	17,743
504	16,063	269,320	436,042
518,421	225,254	643,550	6,661,015
-	-	39,437	1,058,708
-	-	-	684,043
-	-	-	77,900
-	-	55,040	1,317,201
-	-	8,156	2,625,884
-	-	-	360,764
1,234,917	-	-	2,123,130
-	2,524,989	-	2,524,989
1,234,917	2,524,989	102,633	10,772,619
(716,496)	(2,299,735)	540,917	(4,111,604)
-	-	-	7,603,650
-	-	-	(6,475,000)
675,443	-	7,500	2,037,728
-	(250,000)	(373,819)	(1,603,942)
675,443	(250,000)	(366,319)	1,562,436
(41,053)	(2,549,735)	174,598	(2,549,168)
308,431	2,711,993	654,222	7,637,821
267,378	162,258	828,820	5,088,653
267,378	-	-	1,017,378
-	-	-	1,775,053
-	-	715,185	2,020,329
-	162,258	-	162,258
-	-	113,635	113,635
267,378	162,258	828,820	5,088,653

**City of Nevada**

City of Nevada

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2009

**Total governmental funds cash balances (page 19)** \$ 5,088,653

***Amounts reported for governmental activities in the Statement of  
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

2,965

**Cash basis net assets of governmental activities (page 17)** \$ 5,091,618

**Net change in cash balances (page 19)** \$ (2,549,168)

***Amounts reported for governmental activities in the Statement of  
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

1,262

**Change in cash basis net assets of governmental activities (page 17)** \$ (2,547,906)

See notes to financial statements.

**Exhibit D**

## City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise				Internal Service Flexible Benefits
	Water	Sewer	Sanitation	Total	
Operating receipts:					
Use of money and property	\$ 10,368	-	-	10,368	-
Charges for service	1,583,827	1,108,228	70,294	2,762,349	30,476
Miscellaneous	107,655	29,069	627	137,351	-
Total operating receipts	1,701,850	1,137,297	70,921	2,910,068	30,476
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	6,083
Public works	-	-	-	-	1,901
Culture and recreation	-	-	-	-	14,683
General government	-	-	-	-	1,707
Business type activities	876,913	784,061	70,541	1,731,515	4,602
Total operating disbursements	876,913	784,061	70,541	1,731,515	28,976
Excess of operating receipts over operating disbursements	824,937	353,236	380	1,178,553	1,500
Non-operating receipts (disbursements):					
Interest on investments	30,467	36,702	1	67,170	-
Capital projects	(765,796)	-	-	(765,796)	-
Debt service	(586,315)	(78,420)	-	(664,735)	-
Total non-operating receipts (disbursements)	(1,321,644)	(41,718)	1	(1,363,361)	-
Excess (deficiency) of receipts over (under) disbursements	(496,707)	311,518	381	(184,808)	1,500
Other financing sources (uses):					
Bond proceeds	5,000	-	-	5,000	-
Operating transfers out	(433,786)	-	-	(433,786)	-
Total other financing sources (uses)	(428,786)	-	-	(428,786)	-
Net change in cash balances	(925,493)	311,518	381	(613,594)	1,500
Cash balances beginning of year	1,868,182	2,324,563	1,286	4,194,031	2,377
Cash balances end of year	\$ 942,689	2,636,081	1,667	3,580,437	3,877
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ -	437,065	-	437,065	-
Sewer construction	-	736,672	-	736,672	-
Unreserved	942,689	1,462,344	1,667	2,406,700	3,877
Total cash basis fund balances	\$ 942,689	2,636,081	1,667	3,580,437	3,877

See notes to financial statements.



City of Nevada

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds

As of and for the year ended June 30, 2009

**Total enterprise funds cash balances (page 22)** \$ 3,580,437

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

912

**Cash basis net assets of business type activities (page 17)**

\$ 3,581,349

**Net change in cash balances (page 22)**

\$ (613,594)

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

238

**Change in cash basis net assets of business type activities (page 17)**

\$ (613,356)

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Nevada has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Nevada (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These non-profit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a thirteen-member board. There are four standing board positions and nine members are elected at-large. The NEDC's operating budget is subject to the approval of the City Council.

Blended Component Units – Nevada Firefighters Incorporated, Nevada First Responders and the Senior Citizen Center are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission and Story County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Central Iowa Regional Transportation Planning Agency and Central Iowa Area Safety and Support Organization.

### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:

#### Restricted Net Assets:

*Nonexpendable net assets* are subject to externally imposed stipulations they be maintained permanently by the City, including the City's Permanent Funds.

*Expendable net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation consist of \$736,672 for sewer construction.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance community betterment in the City.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Sanitation Fund is used to account for the solid waste collection fees and payments to the City of Ames under the Contract and Agreement for Use and Support of a Solid Waste Reclamation, Recycling and Disposal System.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits plan by City employees and the subsequent reimbursement for eligible claims (administered by Wellmark).

#### C. Measurement Focus and Basis of Accounting

The City of Nevada maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

During the year ended June 30, 2008, the City transferred \$180,000 received by the City through an estate bequest to a local non-profit organization (Foundation). At June 30, 2009, the carrying amount and fair value was \$129,367. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Concentration of credit risk. – The City's investment policy specifies no more than 5 percent of the City's investments may be invested in any one issuer. Although the City did not invest more than 5 percent of the City's investments in any one issuer, more than 5 percent of the City's investments are in funds held by the Foundation. The City's investments in funds held by the Foundation are 20 percent of the City's total investments.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, urban renewal tax increment financing revenue bonds, local option sales and services tax revenue bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Revenue Bonds		Total	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest								
2010	\$ 945,000	87,143	100,000	518,692	115,000	12,105	413,000	235,290	1,573,000	853,230
2011	340,000	58,447	250,000	336,788	120,000	6,240	423,000	222,900	1,133,000	624,375
2012	350,000	46,258	410,000	324,988	-	-	439,000	210,210	1,199,000	581,456
2013	270,000	33,197	470,000	306,338	-	-	455,000	197,040	1,195,000	536,575
2014	215,000	22,503	480,000	284,792	-	-	466,000	183,390	1,161,000	490,685
2015-2019	300,000	17,622	2,280,000	1,102,508	-	-	2,113,000	724,020	4,693,000	1,844,150
2020-2024	-	-	2,985,000	465,146	-	-	2,448,000	387,570	5,433,000	852,716
2025-2026	-	-	-	-	-	-	1,086,000	49,110	1,086,000	49,110
Total	\$2,420,000	265,170	6,975,000	3,339,252	235,000	18,345	7,843,000	2,209,530	17,473,000	5,832,297

#### General Obligation Refunding Bonds:

On November 15, 2008, the City issued \$635,000 of general obligation refunding bonds for the advance refunding of the urban renewal tax increment financing revenue bonds issued April 1, 2002, in the amount of \$330,000, and current refunding of the urban renewal tax increment financing revenue bonds issued October 1, 1999, in the amount of \$275,000. The bonds bear interest at 2.65% to 3.40% per annum and mature June 1, 2012.

The City entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded urban renewal tax increment financing revenue bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are not recorded by the City. The amount of the refunded urban renewal tax increment financing revenue bonds that was considered extinguished and, therefore, excluded from long-term debt was \$330,000 at June 30, 2009.

The refunding was undertaken to reduce total debt service payments over the next three years by \$90,500 and resulted in an economic gain of \$89,450.

#### Urban Renewal Tax Increment Financing Revenue Bonds:

The City issued \$6,500,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 for the purpose of providing funds to pay a portion of the cost of carrying out a project in the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety Facility, and redeeming the City's outstanding urban renewal tax increment financing revenue bond anticipation project notes, series 2007A, dated June 2007. The bonds bear interest at 3.00% to 5.10% per annum and mature June 1, 2024.

The City also issued \$475,000 of urban renewal tax increment financing revenue bonds in May 2009 for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Corporation in connection with the acquisition of certain real property for use in future business development initiatives. The bonds bear interest at 4.00% per annum and mature June 1, 2014.

The bonds are payable solely from TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$10,314,252. For the current year, interest paid and total TIF receipts were \$23,681 and \$1,712,528, respectively.

#### Local Option Sales and Services Tax Revenue Bonds:

The local option sales and services tax revenue bonds were issued for the purpose of paying the costs associated with grading, storm sewer improvements and construction of a maintenance facility at the Nevada Recreation/Athletic Complex. The bonds are payable solely from the income and proceeds of the Special Revenue, Local Option Sales and Services Tax Fund and the taxes to be paid into the fund in accordance with Chapter 422B of the Code of Iowa. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

#### Sewer Revolving Revenue Bonds:

The resolution providing for the issuance of the sewer revolving revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A total of \$238,375 shall be set aside in a sewer revenue reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds whenever the funds in the sinking account is insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,114,000 of sewer revenue bonds issued in January 1995. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 21 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$409,650. For the current year, principal and interest paid and total customer net receipts, including interest on investments, were \$78,200 and \$389,938, respectively.

#### Water Revenue Bonds:

On January 14, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$8,438,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2007.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$8,438,000 of water revenue bonds issued in January 2005. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 67 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$9,642,880. For the current year, principal and interest paid and total customer net receipts, including interest on investments, were \$566,880 and \$855,404, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.

- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

**(4) Interfund Loan**

On December 1, 2008, the City agreed to an interfund loan to advance \$433,786 from the Enterprise, Water Fund for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Corporation in connection with the acquisition of certain real property for use in future business development initiatives. Payments are to be made on June 1 and December 1. The loan bears interest at 3.50% per annum and matures June 1, 2011 to the extent there are TIF receipts available. No repayments were made during the year ended June 30, 2009.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$124,170 \$112,807 and \$104,793, respectively, equal to the required contributions for each year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 160,000
Compensatory time	26,000
Sick leave	1,600
Total	<u>\$ 187,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

**(7) Contractual Commitments**

The City entered into various construction contracts totaling approximately \$7,656,000. The unpaid contract balances as of June 30, 2009 totaled approximately \$869,000, which will be paid as work on the projects progresses.

The City also entered into a contract with the Nevada Economic Development Council to provide financial assistance of \$80,000 for fiscal year 2010.



**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 197,180
	Employee Benefits	337,648
	Emergency	34,968
	Park and Recreation Open Space	1,203
		<u>570,999</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	100,000
Trail Maintenance	Special Revenue:	
	Local Option Sales and Services Tax	7,500
Urban Renewal Tax Increment	Capital Projects	250,000
	Enterprise:	
	Water	433,786
		<u>683,786</u>
Debt Service	General	20,268
	Special Revenue:	
	Local Option Sales and Services Tax	55,417
	Urban Renewal Tax Increment	599,758
		<u>675,443</u>
Total		<u>\$ 2,037,728</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Industrial Development Revenue Bonds**

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,501,836 is outstanding at June 30, 2009. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

**(10) Landfill Contract**

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15<sup>th</sup> of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15<sup>th</sup> and one-half on or before December 15<sup>th</sup> of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City of Nevada.

**(11) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The

Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$131,506.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(12) Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for the construction or improvements of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$609,915.

The City rebated \$146,032 during fiscal year 2009 for a total of \$607,359 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2009 was \$2,556.

Certain agreements state the City will rebate a percentage of property tax owed by the business. These agreements are not reflected in the above amount due to property assessments changing each year.

**City of Nevada**

### **Required Supplementary Information**

City of Nevada

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,001,007	-	-
Tax increment financing	1,712,528	-	-
Other city tax	954,164	-	-
Licenses and permits	68,272	-	-
Use of money and property	178,998	77,538	1,234
Intergovernmental	984,654	-	15,935
Charges for service	307,607	2,792,825	30,476
Special assessments	17,743	-	-
Miscellaneous	436,042	137,351	31,436
Total receipts	6,661,015	3,007,714	79,081
Disbursements:			
Public safety	1,058,708	6,083	45,520
Public works	684,043	1,901	1,901
Health and social services	77,900	-	-
Culture and recreation	1,317,201	14,683	19,437
Community and economic development	2,625,884	-	-
General government	360,764	1,707	1,707
Debt service	2,123,130	-	-
Capital projects	2,524,989	-	-
Business type activities	-	3,166,648	4,602
Total disbursements	10,772,619	3,191,022	73,167
Excess (deficiency) of receipts over (under) disbursements	(4,111,604)	(183,308)	5,914
Other financing sources (uses), net	1,562,436	(428,786)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,549,168)	(612,094)	5,914
Balances beginning of year	7,637,821	4,196,408	68,648
Balances end of year	\$ 5,088,653	3,584,314	74,562

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,001,007	2,014,406	2,014,406	(13,399)
1,712,528	1,797,978	1,797,978	(85,450)
954,164	853,120	953,120	1,044
68,272	93,400	93,400	(25,128)
255,302	339,244	349,135	(93,833)
968,719	723,511	887,682	81,037
3,069,956	3,129,471	3,119,471	(49,515)
17,743	-	-	17,743
541,957	328,258	493,782	48,175
9,589,648	9,279,388	9,708,974	(119,326)
1,019,271	1,100,135	1,102,135	82,864
684,043	694,996	756,996	72,953
77,900	79,300	79,300	1,400
1,312,447	1,360,917	1,489,925	177,478
2,625,884	298,139	2,955,864	329,980
360,764	438,301	438,301	77,537
2,123,130	9,094,656	9,676,944	7,553,814
2,524,989	1,250,000	5,020,000	2,495,011
3,162,046	3,462,230	3,912,230	750,184
13,890,474	17,778,674	25,431,695	11,541,221
(4,300,826)	(8,499,286)	(15,722,721)	11,421,895
1,133,650	6,500,000	6,500,000	(5,366,350)
(3,167,176)	(1,999,286)	(9,222,721)	6,055,545
11,765,581	21,604,162	11,544,204	221,377
8,598,405	19,604,876	2,321,483	6,276,922

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$7,653,021. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the capital projects function prior to a budget amendment.



### **Other Supplementary Information**

City of Nevada

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

										Special
	Employee		Cemetery	Cemetery	Library	Fire	S.C.O.R.E.	S.C.O.R.E.	Gates	Senior
	Benefits	Emergency	Memorials	Foundation	Trust	Trust	Undesignated	Operation &	Hall	Center
				Trust				Maintenance	Trust	Trust
Receipts:										
Property tax	\$ 319,982	33,140	-	-	-	-	-	-	-	-
Other city tax	14,977	1,550	-	-	-	-	-	-	-	-
Use of money and property	2,689	278	39	-	1,484	104	120	72	-	433
Intergovernmental	-	-	-	-	3,042	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	100	2,712	700	8,112	-	-	103,905
Total receipts	337,648	34,968	39	100	7,238	804	8,232	72	-	104,338
Disbursements:										
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	100	15,592	-	-	2,528	-	131
Community and economic development	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	100	15,592	-	-	2,528	-	131
Excess (deficiency) of receipts over (under) disbursements	337,648	34,968	39	-	(8,354)	804	8,232	(2,456)	-	104,207
Other financing sources (uses):										
Operating transfers in	-	-	-	-	-	-	-	-	-	-
Operating transfers out	(337,648)	(34,968)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(337,648)	(34,968)	-	-	-	-	-	-	-	-
Net change in cash balances	-	-	39	-	(8,354)	804	8,232	(2,456)	-	104,207
Cash balances beginning of year	-	-	2,511	23	101,652	6,121	-	5,021	83,700	-
Cash balances end of year	\$ -	-	2,550	23	93,298	6,925	8,232	2,565	83,700	104,207
Cash Basis Fund Balances										
Unreserved:										
Special revenue funds	\$ -	-	2,550	23	93,298	6,925	8,232	2,565	83,700	104,207
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ -	-	2,550	23	93,298	6,925	8,232	2,565	83,700	104,207

See accompanying independent auditor's report.

Revenue											Permanent		Total
Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Trees Forever	4th of July Trust	Police Forfeiture	Nevada Firefighters Incorporated	Nevada First Citizen Responders	Senior Citizen Center	Cemetery Perpetual Care	Parks Planting (Hattery)	
-	-	-	-	-	-	-	-	-	-	-	-	-	353,122
-	-	-	-	-	-	-	-	-	-	-	-	-	16,527
276	15,940	14	285	(41,730)	76	34	163	565	661	8	-	-	(18,489)
-	-	-	-	-	-	-	-	-	15,935	-	-	-	18,977
-	718	60	-	-	-	-	-	-	-	-	3,315	-	4,093
-	11,605	-	-	106,500	1,600	2,650	-	21,745	2,229	7,462	-	-	269,320
276	28,263	74	285	64,770	1,676	2,684	163	22,310	18,825	7,470	3,315	-	643,550
-	-	-	-	-	-	-	-	16,677	22,760	-	-	-	39,437
400	24,428	-	3,940	3,167	-	-	-	-	-	4,754	-	-	55,040
-	-	-	-	-	3,873	4,283	-	-	-	-	-	-	8,156
400	24,428	-	3,940	3,167	3,873	4,283	-	16,677	22,760	4,754	-	-	102,633
(124)	3,835	74	(3,655)	61,603	(2,197)	(1,599)	163	5,633	(3,935)	2,716	3,315	-	540,917
-	-	-	7,500	-	-	-	-	-	-	-	-	-	7,500
-	(1,203)	-	-	-	-	-	-	-	-	-	-	-	(373,819)
-	(1,203)	-	7,500	-	-	-	-	-	-	-	-	-	(366,319)
(124)	2,632	74	3,845	61,603	(2,197)	(1,599)	163	5,633	(3,935)	2,716	3,315	-	174,598
17,927	46,636	854	15,666	177,912	6,247	2,826	10,535	26,889	39,382	-	105,320	5,000	654,222
17,803	49,268	928	19,511	239,515	4,050	1,227	10,698	32,522	35,447	2,716	108,635	5,000	828,820
17,803	49,268	928	19,511	239,515	4,050	1,227	10,698	32,522	35,447	2,716	-	-	715,185
-	-	-	-	-	-	-	-	-	-	-	108,635	5,000	113,635
17,803	49,268	928	19,511	239,515	4,050	1,227	10,698	32,522	35,447	2,716	108,635	5,000	828,820

City of Nevada  
Schedule of Indebtedness  
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose	Apr 1, 2002	3.00-5.40%	\$ 770,000
Corporate purpose and refunding	Aug 15, 2004	1.90-3.25	1,035,000
Corporate purpose	Jul 1, 2005	2.95-3.75	1,545,000
Street improvement	Apr 1, 2008	2.50-2.80	1,700,000
Corporate purpose and refunding	Nov 15, 2008	2.65-3.40	635,000
Total			
Urban renewal tax increment financing:			
Revenue bonds	Oct 1, 1999	4.80-5.40%	\$ 1,130,000
Revenue bonds	Apr 1, 2002	3.25-5.25	720,000
Revenue bonds	Nov 15, 2008	3.00-5.10	6,500,000
Revenue bonds	May 6, 2009	4.00	475,000
Total			
Local option sales and services tax:			
Revenue bonds	Aug 1, 2001	4.30-5.20%	\$ 1,000,000
Revenue bonds:			
Sewer revolving	Jan 3, 1995	3.00%	\$ 1,114,000
Water	Jan 14, 2005 *	3.00	8,438,000
Total			
Anticipation project notes:			
Urban renewal tax increment financing revenue bond	Jun 26, 2007	4.00%	\$ 6,475,000

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
500,000	-	50,000	450,000	25,385
215,000	-	215,000	-	6,988
1,185,000	-	100,000	1,085,000	41,507
1,000,000	-	525,000	475,000	26,950
-	635,000	225,000	410,000	10,063
<b>\$ 2,900,000</b>	<b>635,000</b>	<b>1,115,000</b>	<b>2,420,000</b>	<b>110,893</b>
275,000	-	275,000	-	6,826
330,000	-	330,000	-	16,855
-	6,500,000	-	6,500,000	-
-	475,000	-	475,000	-
<b>\$ 605,000</b>	<b>6,975,000</b>	<b>605,000</b>	<b>6,975,000</b>	<b>23,681</b>
345,000	-	110,000	235,000	17,605
440,000	-	65,000	375,000	13,200
7,796,000	5,000	333,000	7,468,000	233,880
<b>\$ 8,236,000</b>	<b>5,000</b>	<b>398,000</b>	<b>7,843,000</b>	<b>247,080</b>
6,475,000	-	6,475,000	-	120,147

City of Nevada  
Bond and Note Maturities  
June 30, 2009

General Obligation Bonds and Notes									
Year Ending June 30,	Corporate Purpose		Corporate Purpose		Street Improvement		Corporate Purpose and Refunding		
	Issued Apr 1, 2002		Issued July 1, 2005		Issued Apr 1, 2008		Issued Nov 15, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2010	4.80%	\$ 55,000	3.30%	\$ 185,000	2.80%	\$ 475,000	2.90%	\$ 230,000	945,000
2011	4.90	60,000	3.40	190,000	-	-	3.10	90,000	340,000
2012	5.00	60,000	3.50	200,000	-	-	3.40	90,000	350,000
2013	5.10	65,000	3.60	205,000	-	-	-	-	270,000
2014	5.20	65,000	3.70	150,000	-	-	-	-	215,000
2015	5.30	70,000	3.75	155,000	-	-	-	-	225,000
2016	5.40	75,000	-	-	-	-	-	-	75,000
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
Total	\$ 450,000		\$ 1,085,000		\$ 475,000		\$ 410,000		2,420,000

Year Ending June 30,	Local Option		Revenue Bonds					
	Sales and Services							
	Tax Revenue Bonds		Sewer Revolving		Water			
	Issued Aug 1, 2001		Issued Jan 3, 1995		Issued Jan 14, 2005			
Interest			Interest		Interest			
Rates	Amount		Rates	Amount	Rates	Amount	Total	
2010	5.10%	\$ 115,000	3.00%	\$ 70,000	3.00%	\$ 343,000	413,000	
2011	5.20	120,000	3.00	70,000	3.00	353,000	423,000	
2012		-	3.00	75,000	3.00	364,000	439,000	
2013		-	3.00	80,000	3.00	375,000	455,000	
2014		-	3.00	80,000	3.00	386,000	466,000	
2015		-		-	3.00	398,000	398,000	
2016		-		-	3.00	410,000	410,000	
2017		-		-	3.00	422,000	422,000	
2018		-		-	3.00	435,000	435,000	
2019		-		-	3.00	448,000	448,000	
2020		-		-	3.00	461,000	461,000	
2021		-		-	3.00	475,000	475,000	
2022		-		-	3.00	489,000	489,000	
2023		-		-	3.00	504,000	504,000	
2024		-		-	3.00	519,000	519,000	
2025		-		-	3.00	535,000	535,000	
2026		-		-	3.00	551,000	551,000	
Total		\$ 235,000		\$ 375,000		\$ 7,468,000	7,843,000	

See accompanying independent auditor's report.

Urban Renewal Tax Increment Financing Revenue Bonds				
Issued Nov 15, 2008			Issued May 6, 2009	
Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	\$ 100,000	4.00%	\$ -	100,000
3.25	200,000	4.00	50,000	250,000
3.50	250,000	4.00	160,000	410,000
3.75	305,000	4.00	165,000	470,000
4.05	380,000	4.00	100,000	480,000
4.20	370,000		-	370,000
4.35	425,000		-	425,000
4.50	470,000		-	470,000
4.65	495,000		-	495,000
4.75	520,000		-	520,000
4.85	540,000		-	540,000
4.95	570,000		-	570,000
5.00	595,000		-	595,000
5.05	625,000		-	625,000
5.10	655,000		-	655,000
	<u>\$ 6,500,000</u>		<u>\$ 475,000</u>	<u>6,975,000</u>

**Schedule 4**

## City of Nevada

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

## For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 2,001,007	1,974,976	1,945,558	1,882,187	1,814,633	1,801,612	1,718,176
Tax increment financing	1,712,528	1,690,937	1,284,881	1,132,882	1,022,084	901,080	766,134
Other city tax	954,164	879,359	850,186	854,838	795,059	820,905	742,649
Licenses and permits	68,272	109,162	95,505	115,617	55,050	59,477	21,901
Use of money and property	178,998	441,545	343,833	292,670	227,267	241,654	539,485
Intergovernmental	984,654	833,181	1,224,798	988,672	905,229	1,137,248	1,045,642
Charges for service	307,607	273,067	249,255	273,637	249,297	217,837	260,981
Special assessments	17,743	22,336	33,229	27,728	38,760	133,497	37,870
Miscellaneous	436,042	358,416	696,210	230,768	380,396	430,501	464,462
Total	\$ 6,661,015	6,582,979	6,723,455	5,798,999	5,487,775	5,743,811	5,597,300
Disbursements:							
Operating:							
Public safety	\$ 1,058,708	1,085,431	1,454,443	1,134,005	905,856	856,395	996,461
Public works	684,043	732,940	561,308	619,657	738,155	643,837	576,375
Health and social services	77,900	77,400	81,400	78,300	74,300	59,186	50,186
Culture and recreation	1,317,201	1,316,512	1,211,953	1,121,741	1,135,262	1,025,676	1,075,442
Community and economic development	2,625,884	309,060	417,823	315,862	448,862	367,883	210,711
General government	360,764	234,998	258,858	237,015	237,445	212,549	238,525
Debt service	2,123,130	1,663,077	1,430,663	1,382,022	1,165,018	1,467,813	665,562
Capital projects	2,524,989	5,500,082	2,851,275	3,282,679	1,129,387	1,401,504	2,925,419
Total	\$ 10,772,619	10,919,500	8,267,723	8,171,281	5,834,285	6,034,843	6,738,681

See accompanying independent auditor's report.





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA  
Auditor of State

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Nevada's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Nevada's financial statements that is more than inconsequential will not be prevented or detected by the City of Nevada's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Nevada's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### Compliance and Other Matters

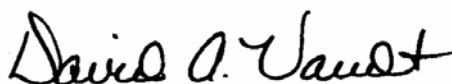
As part of obtaining reasonable assurance about whether the City of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

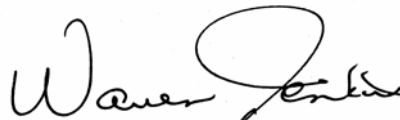
The City of Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City of Nevada's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nevada during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 21, 2010

City of Nevada

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- 1) Processing cash receipts, bank reconciliation, check preparation, check signing, processing vouchers and opening mail.
- 2) Person who has access to petty cash also handles other cash receipts, approves reimbursement vouchers and reconciles the bank account.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Staff will make an effort with existing personnel to segregate duties to a greater extent.

Conclusion – Response accepted.

- (B) Nevada First Responders – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. Bank reconciliations should be reviewed by an independent person.

Response – Recommendations are taken under advisement. Third party will review records.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2009

- (C) Nevada Economic Development Council (NEDC) – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. Bank reconciliations should be reviewed by an independent person.

Response – Each month, when the financial report is completed, it is reviewed, along with the bank statement for that month by the NEDC President. Upon verifying the financial statement balances agree with the bank statement, the President places his signature on the bank statement and the financial report.

Conclusion – Response accepted.

- (D) Nevada Fire Fighters – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. Bank reconciliations should be reviewed by an independent person.

Response – Recommendations are taken under advisement. Third party will review records.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Nevada  
Schedule of Findings  
Year ended June 30, 2009

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the capital projects function prior to a budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response – Capital projects exceeded the budget in August. The project was scheduled to have been completed in the prior year. Staff will endeavor to propose amendments in a more timely manner.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No transactions between the City and City officials or employees for the year ended June 30, 2009 were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, per Chapter 372.12(6) of the Code of Iowa, minutes of the City Council are to be published within fifteen days of the meeting. Two of seven meeting minutes were not published within fifteen days as required.

Recommendation – The City should take steps to ensure that the Council minutes are published within fifteen days after the date of the meetings as required.

Response – Staff will ensure minutes are published in a timely manner.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2009 were noted.
- (9) Bequest to the Nevada Public Library – During the year ended June 30, 2008, the Nevada Public Library was named as a beneficiary in a last will and testament and had the proceeds (Bequest) remitted directly to the Greater Des Moines Community Foundation (Foundation). The Library signed an “Agency Endowed Fund Agreement” for \$170,000 and an “Agency Permanent Endowed Fund Agreement” for \$10,000 with the Foundation. Both agreements state, in part, “the Agency hereby irrevocably assigns, conveys,

City of Nevada

Schedule of Findings

Year ended June 30, 2009

transfers and delivers to the GDMCF (Foundation) all of the Agency's rights, title and interest in the property described." As of June 30, 2009, these funds were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 392.5 of the Code of Iowa states, in part, "a library board may accept and control the expenditure of all gifts, devises, and bequests to the library."

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property."

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. The advice letter states, in part:

"... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

In addition, consistent with the Iowa Attorney General's letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and rules of the City. According to financial reports of the Foundation, at August 31, 2009, the Foundation had investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the City in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

City of Nevada

Schedule of Findings

Year ended June 30, 2009

Recommendation – A 28E agreement, as described in the advice letter, does not exist. We are not aware of any statutory authority for the Library Board and/or City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

The Nevada Library Board of Directors, through its action to give these public funds to the Foundation during the year ended June 30, 2008, has put these public funds at risk since the Library Board of Directors and the Foundation have not invested and accounted for the proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 384.20 of the Code of Iowa.

The City should consult legal counsel and recover the remaining proceeds of the Bequest held by the Foundation, including all income derived from the investment of the Bequest from the time it was remitted to the Foundation. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Until the City recovers the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the City in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Response – The funds remain with the Story County Community Foundation (Community Foundation of Greater Des Moines) until the value of the fund reaches \$172,500 (\$180,000 original donation less two disbursements of \$2,500 and \$5,000). When the fund value reaches \$172,500, the Library will withdraw the funds and move them to investments allowed under the City's investment policy.

Conclusion – Response acknowledged. The City should continue working with legal counsel to recover the remaining proceeds of the Bequest.

- (10) Authorized Check Signers – The Nevada Economic Development Council (NEDC) has not removed a former NEDC member from the list of authorized signers on its bank accounts.

Recommendation – Authorized signers on bank accounts should be current NEDC members.

Response – Signatures have been updated on the U.S. Bank signature card. Current authorized signers are the NEDC President and NEDC Executive Director.

Conclusion – Response accepted.

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City of Nevada

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jennifer Campbell, CPA, Senior Auditor II  
Janet K. Mortvedt, Staff Auditor  
Michael F. Conroy, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State